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INTERSTATE COMMERCE COMMISSION

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LEASE OF RAILROAD EQUIPMENT NO. 2

Dated as of December 23, 1974

between

C.I.T. Financial Services, Inc.

and

Ohio Power Company

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LEASE OF RAILROAD EQUIPMENT NO. 2 dated as of December 23, 1974, between C.I.T. FINANCIAL SERVICES, INC., a Delaware corporation (hereinafter called the Lessor), acting through its agent, C.I.T. Leasing Corporation, a Delaware corporation, and OHIO POWER COMPANY (hereinafter called the Lessee).

WHEREAS the Lessee has assigned to the Lessor, pursuant to an Assignment of Purchase Agreement dated as of March 3, 1975, (hereinafter called the Assignment), certain of its interest in a certain supplemental contract dated as of February 18, 1975, among the Lessee, American Electric Power Service Corporation (hereinafter called the Agent) and Greenville Steel Car Company (hereinafter called the Builder) which incorporates by reference a certain contract dated as of January 31, 1975, between the Agent and the Builder (hereinafter individually called the Supplemental Contract and the Original Contract, respectively, and together called the Purchase Agreement) in which Supplemental Contract, the Agent has designated the Lessee as the purchaser of the units of railroad equipment covered thereby;

WHEREAS the Lessor has accepted said Assignment and proposes to purchase from the Builder such units of railroad equipment described in Schedule A hereto (hereinafter called the Units) as are delivered and accepted under the terms of this Lease;

WHEREAS the Lessee desires to lease from the Lessor such number of Units as are so delivered and accepted hereunder, at the rentals and for the terms and upon the conditions hereinafter provided;

NOW, THEREFORE, in consideration of the premises and of the rentals to be paid and the covenants hereinafter mentioned to be kept and performed by the Lessee, the Lessor hereby leases the Units to the Lessee upon the following terms and conditions:

§ 1. Net Lease. This Lease is a net lease and, except as herein provided, the Lessee shall not be entitled to any abatement of rent, reduction thereof or setoff against rent, including, but not limited to, abatements, reductions or setoffs due or alleged to be due by reason of any past, present or future claims of the Lessee against the Lessor under this Lease or the Builder or

otherwise; nor, except as otherwise expressly provided herein, shall this Lease terminate, or the respective obligations of the Lessor or the Lessee be otherwise affected, by reason of any defect in or damage to or loss of possession or loss of use or destruction of all or any of the Units from whatsoever cause, any liens, encumbrances or rights of others with respect to any of the Units, the prohibition of or other restriction against the Lessee's use of all or any of the Units, the interference with such use by any person or entity, the invalidity or unenforceability or lack of due authorization of this Lease, any insolvency of or the bankruptcy, reorganization or similar proceeding against the Lessee, or for any other cause whether similar or dissimilar to the foregoing, any present or future law to the contrary notwithstanding, it being the intention of the parties hereto that the rents and other amounts payable by the Lessee hereunder shall continue to be payable in all events in the manner and at the times herein provided unless the obligation to pay the same shall be terminated pursuant to the express provisions of this Lease. To the extent permitted by applicable law, the Lessee hereby waives any and all rights which it may now have or which at any time hereafter may be conferred upon it, by statute or otherwise, to terminate, cancel, quit or surrender the lease of any of the Units except in accordance with the express terms hereof. Each rental or other payment made by the Lessee hereunder shall be final and the Lessee shall not seek to recover all or any part of such payment from the Lessor for any reason whatsoever.

§ 2. Delivery and Acceptance of Units. The Lessor hereby appoints the Lessee its agent for inspection and acceptance of the Units. The Lessee will cause its agent or an employee of the Lessee to inspect the same, and if such Unit is found to be acceptable, to execute and deliver to the Lessor a certificate of acceptance (hereinafter called the Certificate of Acceptance), stating that such Unit has been inspected and accepted on behalf of the Lessee and the Lessor on the date of such Certificate of Acceptance and is marked in accordance with § 5 hereof, whereupon such Unit shall be deemed to have been accepted by the Lessee and shall be subject thereafter to all the terms and conditions of this Lease. The Lessor will cause each Unit to be delivered to the Lessee at the point or points specified in Schedule A hereto. Units shall not be delivered to or accepted by the Lessee subsequent to June 30, 1975, and the Lessor shall reassign to Lessee on July 2, 1975, its rights to purchase any remaining balance of Units, under the Assignment, not delivered or accepted as herein provided prior to June 30, 1975.

§ 3. Rentals. The Lessee agrees to pay to the Lessor, as rental for each Unit subject to this Lease, (i) an initial instalment of rent payable on July 2, 1975, and (ii) 60 consecutive quarterly instalments payable on January 2, April 2, July 2 and October 2 in each year commencing October 2, 1975. The

initial instalment of rent shall be in an amount equal to .0355% (computed on a per diem basis commencing with and including the date of acceptance of each Unit under this Lease to and including July 2, 1975) of the Purchase Price (as hereinafter defined) of each such Unit and the 60 consecutive quarterly rental instalments shall be in arrears each in an amount equal to 3.194% of the Purchase Price of each Unit then subject to this Lease. For purposes of this Lease, Purchase Price shall mean, with respect to Units, the base price per Unit as set forth in Schedule A hereto, which base price is subject to such increase or decrease as may be agreed upon by the Builder, the Lessor and the Lessee.

If on or before September 30, 1975, legislation is enacted pursuant to which the Lessor shall be entitled to the benefit of an investment credit as set forth below pursuant to Section 38 and related sections of the Code (as defined in § 17 hereof) with respect to the Purchase Price of any Unit then subject to this Lease greater than the Investment Credit (as defined in § 17 hereof) (hereinafter called a Substitute Credit), with no reduction in the tax basis of such Unit below its Purchase Price on account of the allowance of such tax credit, the rental for each such Unit shall be as follows:

<u>Substitute Credit Rate</u>	<u>Initial Instalment of Rent (computed as set forth in the immediately preced- ing paragraph)</u>	<u>60 consecutive quarterly rental instalments (com- puted as set forth in the immediately preceding paragraph)</u>
7%	.0355%	3.066%
10%	.0355	2.935

If, however, the tax basis of a Unit must be reduced below the Purchase Price for each Unit then subject to this Lease in order to have the benefit of such Substitute Credit as set forth below, then the rental for each such Unit shall be as follows:

<u>Substitute Credit Rate</u>	<u>Initial Instalment of Rent (computed as set forth in the immediately preced- ing paragraph)</u>	<u>60 consecutive quarterly rental instalments (com- puted as set forth in the immediately preceding paragraph)</u>
4%	.0355%	3.275%
7%	.0355	3.194
10%	.0355	3.113

The Lessor and the Lessee agree that the Casualty Value and Economic Obsolescence Value (both as defined in § 7 hereof) and the Termination Value (as defined in § 10 hereof) have been computed on the assumption that the Lessor shall be

entitled to the Investment Credit (as defined in § 17 hereof). If for the reason set forth in the immediately preceding paragraph, the Lessor becomes entitled to a Substitute Credit as set forth above, the Casualty Value, the Economic Obsolescence Value and the Termination Value shall be appropriately adjusted and all references herein to the Investment Credit shall mean such Substitute Credit so allowed.

If any of the rental payment dates referred to above is not a business day the rental payment otherwise payable on such date shall be payable on the next succeeding business day. The term "business day" as used herein means a calendar day, excluding Saturdays, Sundays and all other days on which banking organizations in New York, New York, are authorized or obligated to remain closed.

The Lessor hereby instructs the Lessee to make all the payments provided for in this Lease directly to it at such address as shall from time to time be specified in writing by the Lessor. The Lessee agrees to make each payment provided for herein as contemplated by this paragraph in New York Clearing House funds.

§ 4. Term of Lease. The term of this Lease as to each Unit shall begin on the date of acceptance of such Unit hereunder and, subject to the provisions of §§ 6, 7, 9, 10, 13 and 17 hereof, shall terminate on the date on which the final payment of rent in respect thereof is due pursuant to § 3 hereof.

§ 5. Identification Marks. The Lessee will cause each Unit to be kept numbered with the identifying number set forth in Schedule A hereto, or in the case of any Unit not there listed such identifying number as shall be set forth in any amendment or supplement hereto extending this Lease to cover such Unit, and will keep and maintain, plainly, distinctly, permanently and conspicuously marked on each side of each Unit, in letters not less than one inch in height, the words "Owned by C.I.T. Financial Services, Inc." or other appropriate words designated by the Lessor, with appropriate changes thereof and additions thereto as from time to time may be required by law in order to protect the Lessor's title to and property in such Unit and the rights of the Lessor under this Lease. The Lessee will not place any such Unit in operation or exercise any control or dominion over the same until such words shall have been so marked on both sides thereof and will replace promptly any such words which may be removed, defaced or destroyed. The Lessee will not change the identifying number of any Unit unless and until (i) a statement of new number or numbers to be substituted therefor shall have been filed with the Lessor and filed, recorded and deposited by the Lessee in all public offices where this

Lease shall have been filed, recorded and deposited and (ii) the Lessee shall have furnished Lessor an opinion of counsel to the effect set forth in subparagraph (i)D of § 15 hereof in respect of such statement.

Except as provided in the immediately preceding paragraph, the Lessee will not allow the name of any person, association or corporation to be placed on any Unit as a designation that might be interpreted as a claim of ownership; provided, however, that the Units may be lettered with the names or initials or other insignia customarily used by the Lessee, its affiliates, or its sublessees.

§ 6. Taxes. All payments to be made by the Lessee hereunder will be free of expense to the Lessor for collection or other charges and will be free of expense to the Lessor with respect to the amount of any local, state, federal or foreign taxes or foreign withholdings (other than any United States federal income tax payable by the Lessor in consequence of the receipt of payments provided for herein and other than the aggregate of all state income taxes or franchise taxes measured by net worth or by net income based on such receipts, or gross income or gross receipts taxes [other than gross receipts or gross income taxes in the nature of sales or use taxes], up to the amount of any such taxes which would be payable to the state in which the Lessor has its principal place of business without apportionment to any other taxing jurisdiction, except, but only to the extent that, any such tax which is in substitution for or relieves the Lessee from the payment of taxes which it would otherwise be obligated to pay or reimburse as herein provided) or registration, documentation and license fees, assessments, duties, charges, fines or penalties (all such expenses, taxes, withholdings, registration, documentation and license fees, assessments, duties, charges, fines and penalties being hereinafter called impositions) hereafter levied, imposed or assessed upon or in connection with or measured by this Lease or any possession, storage, purchase, sale, rental, use, payment, shipment, delivery or transfer of title under the terms hereof, all of which impositions the Lessee assumes and agrees to pay on demand in addition to the payments to be made by it provided for herein. The Lessee will also pay promptly all impositions which may be levied, imposed or assessed upon any Unit or for the use or operation thereof or upon the earnings arising therefrom (except as provided above) or upon the Lessor solely by reason of its purchase or ownership thereof and will keep at all times all and every part of such Unit free and clear of all impositions which might in any way affect the title of the Lessor or result in a lien upon any such Unit; provided, however, that the Lessee shall be under no obligation to pay any impositions of any kind so long as it is contesting in good faith and by appropriate legal proceedings such impositions and the nonpayment thereof does not, in the opinion of the Lessor, adversely

affect the title, property or rights of the Lessor hereunder. The Lessor agrees fully to cooperate with the Lessee in any such contest, which would be at the Lessee's expense. If any impositions shall have been charged or levied against the Lessor directly and paid by the Lessor, the Lessee shall reimburse the Lessor on presentation of an invoice therefor. The obligations of the Lessee to pay all impositions shall be deemed a rental obligation.

In the event any reports with respect to impositions are required to be made, the Lessee will either make such reports in such manner as to show the interest of the Lessor in such Units or notify the Lessor of such requirement and make such reports in such manner as shall be satisfactory to the Lessor, provided, however, that if the Lessee is not permitted to make such reports on behalf of the Lessor, it will so notify the Lessor and will furnish to the Lessor all information necessary for the Lessor to make such reports.

The representations, indemnities and agreements of the Lessee provided for herein, including without limitation §§ 6, 9 and 17 hereof, and the Lessee's obligation thereunder, shall survive the expiration or other termination of this Lease and are expressly made for the benefit of, and shall be enforceable by the Lessor.

§ 7. Payment for Casualty Occurrences; Termination Upon Units Becoming Obsolete or Surplus; Insurance. In the event that during the term of this Lease or until such Unit shall have been returned pursuant to § 14 hereof, any Unit shall be or become worn out, lost, stolen, destroyed, or irreparably damaged, from any cause whatsoever, or taken or requisitioned by condemnation or otherwise under authority of law and such taking or requisition shall have exceeded 120 days or shall extend beyond the term of this Lease (such occurrences being hereinafter called Casualty Occurrences), the Lessee shall promptly and fully notify the Lessor with respect thereto. On the rental payment date next succeeding such notice or within 60 days if such Unit is being returned under § 14 hereof the Lessee shall pay to the Lessor an amount equal to the accrued rental in respect of such Unit to and including the date payment is due pursuant to this sentence plus a sum equal to the Casualty Value (as hereinafter defined) of such Unit as of the date such payment is due, if payment is due on a rental payment date, and as of the next preceding rental payment date if payment is not due on a rental payment date, in each case in accordance with the schedule set out below. Upon the making of such payment by the Lessee in respect of any Unit, the rental for such Unit shall cease to accrue and the term of this Lease as to such Unit shall terminate. The Lessor shall, after payment by the Lessee of a sum equal to the Casualty Value of any Unit which shall have suffered a Casualty Occurrence, and any other amounts then due hereunder, execute and deliver to the Lessee a bill of sale (without warranties other than against the Lessor's acts) for such Unit. In the event that any Unit is taken

or requisitioned under authority of law as set forth in the first sentence of this paragraph but such taking does not exceed 120 days nor extend beyond the end of the term of this Lease, the Lessee shall notify the Lessor of such taking or requisition and all of the Lessee's obligations under this Lease with respect to such Unit, including but not limited to rental with respect thereto pursuant to § 3 hereof, shall continue as if such taking or requisition had not occurred. All payments received by the Lessor or the Lessee in respect of such taking or requisition for the use of such Unit during the term of this Lease shall be paid over to, or retained by, the Lessee.

The Casualty Value of each Unit as of any rental payment date or such other date on which such Casualty Value is payable shall be that percentage of the Purchase Price of such Unit as is set forth in the following schedule opposite such rental payment date or such other date:

<u>Date</u>	<u>Percentage</u>	<u>Date</u>	<u>Percentage</u>
1	94.618%	31	84.342
2	95.136	32	82.907
3	95.456	33	81.675
4	95.577	34	80.288
5	96.102	35	78.749
6	96.433	36	77.056
7	96.568	37	75.521
8	96.508	38	73.848
9	96.880	39	72.035
10	96.979	40	70.083
11	96.923	41	68.244
12	96.671	42	66.282
13	96.788	43	64.198
14	96.701	44	61.991
15	96.423	45	59.843
16	95.954	46	57.585
17	95.775	47	55.215
18	95.413	48	52.735
19	94.868	49	50.253
20	94.139	50	47.673
21	93.715	51	44.995
22	93.120	52	42.220
23	92.346	53	39.126
24	91.393	54	35.949
25	90.720	55	32.689
26	89.876	56	29.346
27	88.860	57	25.861
28	87.672	58	22.311
29	86.761	59	18.693
30	85.613	60 and thereafter	15.000

The foregoing percentages have been computed without regard to recapture of the Investment Credit (as defined in § 17 hereof). Consequently, the Casualty Value of any Unit suffering a Casualty Occurrence (i) at any time from the date of delivery and acceptance of such Unit to and including the third anniversary date of such delivery and acceptance shall be increased by 8% of the Purchase Price of such Unit, (ii) at any time after said third anniversary date to and including the fifth anniversary date of such delivery and acceptance shall be increased by 5.32% of the Purchase Price of such Unit and (iii) at any time after said fifth anniversary date to and including the seventh anniversary date of such delivery and acceptance shall be increased by 2.66% of the Purchase Price of such Unit.

Except as hereinabove in this § 7 provided, the Lessee shall not be released from its obligations hereunder in the event of, and shall bear the risk of, any Casualty Occurrence to any Unit from and after delivery and acceptance thereof by the Lessee hereunder.

Notwithstanding any provision contained in this Lease to the contrary, in the event that the Lessee shall in its reasonable judgment determine that the Units have become obsolete or surplus to the Lessee's requirements during the original term of this Lease, the Lessee shall have the right at its option, on at least 60 days' prior written notice to the Lessor, to terminate (subject to the provisions for the survival of indemnification obligations contained in the last sentence of § 6 hereof) this Lease on the first rental payment date following the expiration of such notice period (for the purpose of this § 7 called the "termination date") provided that (i) the termination date is later than 7 years after the date hereof, (ii) on the termination date no Event of Default (or other event which after lapse of time or notice or both would become an Event of Default) shall have occurred and be continuing, (iii) on the termination date the Units shall be in the same condition as if being redelivered pursuant to § 14 hereof, and (iv) the Lessee shall have delivered to the Lessor a certificate signed by its Chairman of the Board, its President or one of its Vice Presidents to the effect that the Units are surplus or obsolete. During the period from the giving of such notice until the fifth business day preceding the termination date, the Lessee, as agent for the Lessor, shall use its best efforts to obtain bids for the purchase of the Units, and the Lessee shall at least 5 business days prior

to such termination date certify to the Lessor the amount of each such bid and the name and address of the party (which shall not be a corporation or individual affiliated with the Lessee or any party from whom the Lessee or any such affiliate intends thereafter to lease the Units) submitting such bid. On or before the termination date the Lessor shall, subject to the Lessee's obtaining, on behalf of the Lessor, any governmental consents required, sell the Units for cash to the bidder who shall have submitted the highest bid prior to the termination date. The total sales price realized at such sale shall be paid to the Lessor in immediately available funds and, in addition, on the date of such sale (or, if the date of sale shall precede the termination date, then on the termination date), the Lessee shall pay to the Lessor, the excess, if any, of the Economic Obsolescence Value (as hereinafter defined) in respect of the Units, computed as of the termination date, over the net sales price of the Units after deducting from such sales price any and all costs and expenses whatsoever incurred by the Lessor in connection with such sale. If no sale shall occur on the date scheduled therefor as above provided, this Lease shall continue in full force and effect. In the event of such sale and the receipt by the Lessor of the amounts above described, the obligation of the Lessee to pay rent pursuant to § 3 hereof in respect of the Units on each rental payment date shall continue to and include the rental payment date occurring immediately prior to the date of such receipt by the Lessor but shall then terminate. The Lessor shall be under no duty to solicit bids, to inquire into the efforts of the Lessee to obtain bids or otherwise to take any action or incur any cost or expense in connection with any sale pursuant to this § 7, other than to transfer or to cause to be transferred to the purchaser named in the highest bid certified by the Lessee to the Lessor as above provided all of the Lessor's right, title and interest in and to the Units. Any sale pursuant to this § 7 shall be free and clear of all of the Lessee's rights to the Units, but otherwise shall be made without warranties other than against Lessor's acts.

The Economic Obsolescence Value of each Unit as of any rental payment date after the seventh year of this Lease shall be that percentage of the Purchase Price of such Unit as is set forth in the following schedule opposite such rental payment date:

<u>Date</u>	<u>Percentage</u>
29	92.55%
30	91.31
31	89.97
32	88.38
33	87.04
34	85.51
35	83.89
36	82.06
37	80.41
38	78.57
39	76.59
40	74.50
41	72.52
42	70.38
43	68.11
44	65.74
45	63.44
46	60.96
47	58.40
48	55.73
49	53.08
50	50.27
51	47.37
52	44.40
53	41.37
54	38.50
55	35.26
56	32.22
57	29.16
58	26.11
59	23.05
60	20.00

The Lessee will procure and maintain at its sole cost and expense at all times during the continuance of this Lease (and thereafter so long as any Unit is at the risk of the Lessee), insurance coverage for comprehensive general liability (including contractual liability with respect to the "hold harmless " or indemnification agreement between the Lessee and the Lessor contained in § 9 hereof), physical damage, theft, fire with extended coverage and any other insurance as may be reasonably required by the Lessor for the benefit of the Lessor as its interests appear, in amounts, against risks, in form and with insurance companies or underwriters as shall be satisfactory to the Lessor from time to time and shall deliver to the Lessor satisfactory evidence of such insurance coverage; provided, however, Lessee shall not be required to maintain physical damage, theft, or fire with extended coverage insurance in an amount in excess of the applicable Casualty

Value of the Units and provided, further, however, that the comprehensive general liability insurance may contain a \$50,000 deductible provision per occurrence and the physical damage, theft, fire with extended coverage insurance may contain a \$100,000 deductible provision per occurrence. Without limiting the foregoing, each insurance policy shall provide that it will not be invalidated as against the Lessor because of any violation of a condition or warranty of the policy or application therefor by the Lessee and that it may be altered or cancelled by the insurer only after thirty (30) days advance written notice to, and that losses in excess of \$250,000 shall be adjusted only with the consent of, the Lessor or its assigns. All liability policies shall name the Lessor as an insured. All policies covering loss or damage to the Units shall provide that payment thereunder for any such loss or damage shall be made to the Lessor and the Lessee as their interests may appear. If the Lessee shall fail to provide and furnish any of said insurance, the Lessor may, after reasonable notice to Lessee and a reasonable opportunity, under the circumstances, to correct or provide such insurance procure such insurance and the Lessee shall, upon demand, reimburse the Lessor for all outlays for such insurance with interest thereon computed at the rate of 14% per annum or such lesser maximum rate as is permitted by applicable law. The Lessee may provide for any such insurance under blanket insurance policies maintained by the Lessee with respect to other properties owned or leased by it.

Any insurance proceeds as the result of insurance carried by the Lessee or condemnation payments received by the Lessor in respect of Units suffering a Casualty Occurrence shall be deducted from the amounts payable by the Lessee to the Lessor in respect of Casualty Occurrences pursuant to this § 7. If the Lessor shall receive any such insurance proceeds or condemnation payments after the Lessee shall have made payments with respect to a Unit pursuant to this § 7 without deduction for such insurance proceeds or such condemnation payments, the Lessor shall pay all such insurance proceeds with respect to a Unit to the Lessee and shall pay such condemnation payments to the Lessee up to an amount equal to the Casualty Value paid by the Lessee with respect to a Unit and any balance of such condemnation payments shall remain the property of the Lessor. All insurance proceeds received by the Lessor in respect of any Unit not suffering a Casualty Occurrence shall be paid to the Lessee upon proof satisfactory to the Lessor that any damage to such Unit in respect of which such proceeds were paid has been fully repaired.

§ 8. Reports. On or before March 31 in each year, commencing with the calendar year 1976, the Lessee will furnish to the Lessor an accurate statement (a) setting forth as at the preceding December 31 the amount, description and

numbers of all Units then leased hereunder, the amount, description and numbers of all Units that have suffered a Casualty Occurrence during the preceding calendar year (or since the date of this Lease in the case of the first such statement) or are then undergoing repairs (other than running repairs) or then withdrawn from use pending such repairs (other than running repairs) and such other information regarding the condition and state of repair of the Units as the Lessor may reasonably request and (b) stating that, in the case of all Units repainted or repaired during the period covered by such statement, the numbers and markings required by § 5 hereof have been preserved or replaced. The Lessor shall have the right by its agents, to inspect the Units and the Lessee's records with respect thereto at such reasonable times as the Lessor may request during the continuance of this Lease.

Within 30 days after its annual audit has been completed, but in no event later than six months after the close of each fiscal year, the Lessee will promptly furnish to the Lessor a balance sheet as of the end of such year and a profit and loss statement for the year then ended prepared in conformity with generally accepted accounting principles of the applicable regulatory authorities, in either case applied on a basis consistent with that of the preceding fiscal year and certified by the Lessee's independent certified public accountants. The Lessee shall also furnish to the Lessor unaudited quarterly reports of similar tenor within 90 days after the end of each quarterly accounting period and such other financial information as the Lessor may reasonably request from time to time.

§ 9. Disclaimer of Warranties; Compliance with Laws and Rules; Maintenance; Indemnification. THE LESSOR MAKES NO WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE DESIGN OR CONDITION OF, OR AS TO THE QUALITY OF THE MATERIAL, EQUIPMENT OR WORKMANSHIP IN, THE UNITS DELIVERED TO THE LESSEE HEREUNDER, AND THE LESSOR MAKES NO WARRANTY OF MERCHANTABILITY OR FITNESS OF THE UNITS FOR ANY PARTICULAR PURPOSE OR AS TO TITLE TO THE UNITS OR ANY COMPONENT THEREOF, it being agreed that all such risks, as between the Lessor and the Lessee, are to be borne by the Lessee; but the Lessor hereby irrevocably appoints and constitutes the Lessee its agent and attorney-in-fact during the term of this Lease to

assert and enforce from time to time, in the name of and for the account of the Lessor and/or the Lessee, as their interests may appear, at the Lessee's sole cost and expense, whatever claims and rights the Lessor may have against the Builder under the provisions of Paragraphs 2 and 3 of the Purchase Agreement. The Lessee's delivery of a Certificate of Acceptance shall be conclusive evidence as between the Lessee and the Lessor that the Units described therein are in all the foregoing respects satisfactory to the Lessee, and the Lessee will not assert any claim of any nature whatsoever against the Lessor based on any of the foregoing matters.

The Lessee agrees, for the benefit of the Lessor, to comply in all respects (including without limitation, with respect to the use, maintenance and operation of each Unit) with all laws of the jurisdictions in which its operations involving the Units may extend, with the interchange rules of the Association of American Railroads and with all lawful rules of the Department of Transportation, the Interstate Commerce Commission and any other legislative, executive, administrative or judicial body exercising any power or jurisdiction over the Units, to the extent that such laws and rules affect the title, operation or use of the Units, and in the event that such laws or rules require any alteration, replacement or addition of or to any part on any Unit, the Lessee will conform therewith at its own expense; provided, however, that the Lessee may, in good faith, contest the validity or application of any such law or rule in any reasonable manner which does not, in the opinion of the Lessor, adversely affect the property or rights of the Lessor under this Lease.

The Lessee agrees that, at its own cost and expense, it will maintain and keep each Unit in good order and repair.

Any and all additions to any Unit and any and all parts installed on and additions and replacements made to any Unit shall constitute accessions to such Unit and, at the cost and expense of the Lessee, full ownership thereof free from any lien, charge, security interest or encumbrance shall immediately be vested in the Lessor.

The Lessor (which term as used herein shall include the Lessor's successors, assigns, agents and servants) shall have no responsibility or liability to the Lessee, its successors or assigns, or to any other person, with respect to

any or all liabilities (as "liabilities" is hereinafter defined), and the Lessee hereby assumes liability for, and hereby agrees, at its own cost and expense, to indemnify, protect, defend, save and keep harmless the Lessor from and against, any and all liabilities, other than the Lessor's obligation to pay to the Builder and the Lessee, as the case may be, the Purchase Price for all Units delivered and accepted in accordance with the terms hereof. The term "liabilities" as used herein shall include any and all liabilities, obligations, losses, damages, penalties, claims, actions, suits, costs, expenses and disbursements, including reasonable legal fees and expenses, of whatsoever kind and nature, imposed on, incurred by or asserted against the Lessor, in any way relating to or arising out of this Lease, the Purchase Agreement, the Assignment or the manufacture, purchase, acceptance, ownership, transporting, delivery, lease, possession, control, use, operation, condition, testing, servicing, maintenance, repair, improvement, replacement, storage, sale, return or other disposition of the Units (including, without limitation, (a) any inadequacy or deficiency or defect therein, including latent defects, whether or not discoverable by the Lessor or the Lessee, or any claim for patent, trademark or copyright infringement; (b) any accident in connection therewith resulting in damage to property or injury or death to any person, including but not limited to, employees and agents of the Lessee, (c) any strict liability in tort and (d) any interruption of service, loss of business or consequential damages resulting therefrom). The Lessee agrees to give the Lessor and the Lessor agrees to give the Lessee prompt written notice of any of the liabilities hereby indemnified against. The Lessee's obligations under this paragraph shall be those of a primary obligor whether or not the Lessor is also indemnified with respect to the same matter by any other person. The indemnities arising under this paragraph shall survive payment of all other obligations under this Lease and the expiration or termination of this Lease.

The Lessee agrees to prepare and deliver to the Lessor within a reasonable time prior to the required date of filing (or, to the extent permissible, file on behalf of the Lessor) any and all reports (other than income tax, gross receipts tax, or gross income tax returns) to be filed by the Lessor with any federal, state or other regulatory authority by reason of the ownership by the Lessor of the Units or the leasing thereof to the Lessee.

§ 10. Default. If, during the continuance of this Lease, one or more of the following events (each such event being hereinafter sometimes called an Event of Default) shall occur:

(a) default shall be made in payment of any part of the rental provided in § 3 hereof, and such default shall continue for ten days;

(b) the Lessee shall make or permit any unauthorized assignment or transfer of this Lease or of possession of the Units, or any thereof;

(c) default shall be made in the observance or performance of any other of the covenants, conditions and agreements on the part of the Lessee contained herein, and such default shall continue for 20 days after written notice from the Lessor to the Lessee specifying the default and demanding that the same be remedied;

(d) any representation or warranty made by the Lessee in this Lease or in any document or certificate furnished the Lessor in connection herewith or pursuant hereto shall prove to be incorrect at any time in any material respect and such condition shall continue unremedied for a period of 15 days after written notice thereof by the Lessor to the Lessee specifying the default and demanding that the same be remedied;

(e) the Lessee shall consent to the appointment of a receiver, trustee or liquidator of itself or of a substantial part of its property, or the Lessee shall admit in writing its inability to pay its debts generally as they come due, or shall make a general assignment for the benefit of creditors, or the Lessee shall file a voluntary petition in bankruptcy or a voluntary petition or an answer seeking reorganization in a proceeding under any bankruptcy laws (as now or hereinafter in effect) or an answer admitting the material allegations of a petition filed against the Lessee in any such proceeding, or the Lessee shall by voluntary petition, answer or consent seek relief under the provisions of any other bankruptcy or other similar law (other than a law which does not provide for or permit any readjustment or alteration of the Lessee's obligations hereunder), as now or hereafter in effect, providing for the reorganization or winding-up of corporations, or providing for an agreement, composition, extension or adjustment with its creditors;

(f) an order, judgment or decree shall be entered by any court of competent jurisdiction appointing, without the consent of the Lessee, a receiver, trustee or

liquidator of the Lessee or of any substantial part of its property, or any substantial part of the property of the Lessee shall be sequestered, or any creditor of the Lessee shall commence to foreclose a lien, charge or other encumbrance against any Unit, and any such order, judgment or decree of appointment or sequestration or foreclosure action shall remain in force undismissed, unstayed and unvacated for a period of 90 days after the date of entry thereof;

(g) a petition against the Lessee in a proceeding under the Federal bankruptcy laws or other insolvency laws (other than a law which does not provide for or permit any readjustment or alteration of the Lessee's obligations hereunder), as now or hereafter in effect, shall be filed and shall not be withdrawn or dismissed within 90 days thereafter, or if, under the provisions of any law (other than a law which does not provide for or permit any readjustment or alteration of the Lessee's obligations hereunder), as now or hereafter in effect, providing for reorganization or winding-up of corporations which may apply to the Lessee, any court of competent jurisdiction shall assume jurisdiction, custody or control of the Lessee or of any substantial part of its property and such jurisdiction, custody or control shall remain in force unrelinquished, unstayed or unterminated for a period of 90 days; or

(h) an Event of Default (as defined therein) shall have occurred and be continuing under a Long Term Lease of Equipment No. 1 dated as of December 23, 1974, between the Lessor and the Lessee covering the lease of certain units of railroad equipment manufactured by Bethlehem Steel Corporation;

then, in any such case, the Lessor, at its option, may:

(i) proceed by appropriate court action or actions either at law or in equity, to enforce performance by the Lessee of the applicable covenants of this Lease or to recover damages for the breach thereof including net after-tax losses of federal and state income tax benefits to which the Lessor would otherwise be entitled under this Lease; or

(ii) by notice in writing to the Lessee terminate this Lease on any rental payment date, whereupon all rights of the Lessee to the use of the Units shall absolutely cease and terminate as though this Lease had never been made, but the Lessee shall remain liable as hereinafter provided; and thereupon the Lessor, subject to the applicable provisions of law, may by its agents enter upon the premises of the Lessee or other premises where any of the Units may be and take possession of

all or any of such Units and thenceforth hold, possess and enjoy the same free from any right of the Lessee, or its successors or assigns, to use the Units for any purpose whatever; but the Lessor shall, nevertheless, have a right to recover from the Lessee any and all amounts which under the terms of this Lease may be then due or which may have accrued to the date of such termination and also to recover forthwith from the Lessee as damages for loss of the bargain and not as a penalty, whichever of the following amounts the Lessor, in its sole discretion, shall specify in such notice of termination:

(x) an amount equal to the excess, if any, of the Termination Value (as hereinafter defined) for the Units as of the rental payment date specified for payment in such notice over the Fair Market Rental Value as defined in § 13 hereof of the Units (reasonably determined by an independent expert in the valuation of railroad equipment selected by the Lessor) for the remainder of the term of this Lease after discounting such Fair Market Rental Value quarterly to present worth as of the payment date specified in such notice at the rate of 9.7% per annum, or (y) an amount equal to the excess, if any, of the Termination Value as of the rental payment date specified for payment in such notice over the Fair Market Sales Value as defined in § 13 hereof of the Units (reasonably determined by an independent expert in the valuation of railroad equipment selected by the Lessor); provided, however, that in the event the Lessor shall have sold any Unit, the Lessor, in lieu of collecting any amounts payable to the Lessor by the Lessee pursuant to the preceding provisions of this subparagraph (ii) with respect to such Unit, may, if it shall so elect, demand that the Lessee pay the Lessor and the Lessee shall pay to the Lessor on the date of such sale, as liquidated damages for loss of a bargain and not as a penalty (in lieu of rent otherwise due under § 3 hereof for such Unit due for the portion of the term of this Lease beginning on or after the rental payment date next following the date on which such sale occurs), any unpaid rent due under § 3 hereof for such Unit due for periods up to and including such rental payment date plus an amount equal to the excess, if any, of the Termination Value for such Unit, as of such rental payment date, over the net proceeds of such sale, together with interest on such unpaid rent and the amount of such excess as provided in § 18 hereof from the rental payment date as of which such Termination Value is computed until the date of actual payment.

In addition, the Lessee shall be liable, except as otherwise provided above, for any and all unpaid amounts due hereunder before, during or after the exercise of any of the foregoing remedies and for all reasonable legal fees and other costs and expenses incurred by reason of the occurrence of any Event of Default or the exercise of Lessor's remedies with respect thereto, including all costs and expenses incurred in connection with the return of any Unit.

The Termination Value of each Unit as of any rental payment date shall be that percentage of the Purchase Price of such Unit as is set forth in the following schedule opposite such rental payment date:

<u>Date</u>	<u>Percentage</u>	<u>Date</u>	<u>Percentage</u>
1	102.618%	31	84.342%
2	103.136	32	82.907
3	103.456	33	81.674
4	103.577	34	80.289
5	104.102	35	78.749
6	104.433	36	77.056
7	104.568	37	75.521
8	104.508	38	73.848
9	104.840	39	72.035
10	104.979	40	70.083
11	104.923	41	68.244
12	104.671	42	66.282
13	102.108	43	64.198
14	102.021	44	61.991
15	101.743	45	59.843
16	101.274	46	57.585
17	101.095	47	55.215
18	100.733	48	52.735
19	100.188	49	50.253
20	99.459	50	47.673
21	96.375	51	44.995
22	95.779	52	42.219
23	95.006	53	39.126
24	94.053	54	35.949
25	93.380	55	32.689
26	92.536	56	29.346
27	91.520	57	25.861
28	90.332	58	22.311
29	86.761	59	18.693
30	85.613	60 and thereafter	15.000

The remedies in this Lease provided in favor of the Lessor shall not be deemed exclusive, but shall be cumulative, and shall be in addition to all other remedies in its favor existing at law or in equity. The Lessee hereby waives any mandatory requirements of law, now or hereafter in effect, which might limit or modify the remedies herein provided, to the extent that such waiver is not, at the time in question, prohibited by law. The Lessee hereby waives any and all existing or future claims to any offset against the rental payments due hereunder, and agrees to make such payments regardless of any offset or claim which may be asserted by the Lessee or on its behalf.

The failure of the Lessor to exercise the rights granted it hereunder upon the occurrence of any of the contingencies set forth herein shall not constitute a waiver of any such right upon the continuation or recurrence of any such contingencies or similar contingencies.

§ 11. Return of Units Upon Default. If this Lease shall terminate pursuant to § 10 hereof, the Lessee shall upon notice from the Lessor forthwith deliver possession of the Units to the Lessor. For the purpose of delivering possession of any Unit or Units to the Lessor as above required, the Lessee shall at its own cost, expense and risk:

(a) forthwith and in the usual manner (including, but not by way of limitation, giving prompt telegraphic and written notice to the Association of American Railroads and all railroads to which any Unit or Units have been interchanged to return the Unit or Units so interchanged) transport or cause the Units to be transported to such point or points as the Lessor may reasonably designate;

(b) place such Units upon such storage tracks as the Lessor reasonably may designate; and

(c) permit the Lessor to store such Units on such tracks at the risk of the Lessee without charge for rent or storage until such Units have been sold, leased or otherwise disposed of by the Lessor.

The assembling, delivery, storage and transporting of the Units as hereinbefore provided shall be at the expense and risk of the Lessee and are of the essence of this Lease, and upon application to any court of equity having jurisdic-

tion in the premises the Lessor shall be entitled to a decree against the Lessee requiring specific performance of the covenants of the Lessee so to assemble, deliver, store and transport the Units. During any storage period, the Lessee will, at its own cost and expense, maintain and keep the Units in good order and repair and will permit the Lessor or any person designated by it, including the authorized representative or representatives of any prospective purchaser of any such Unit, to inspect the same.

Without in any way limiting the obligation of the Lessee under the foregoing provisions of this § 11, the Lessee hereby irrevocably appoints the Lessor as the agent and attorney of the Lessee, with full power and authority, at any time while the Lessee is obligated to deliver possession of any Unit to the Lessor, to demand and take possession of such Unit in the name and on behalf of the Lessee from whomsoever shall be in possession of such Unit at the time.

§ 12. Assignment; Possession and Use. This Lease shall be assignable in whole or in part by the Lessor without the consent of the Lessee, but the Lessee shall be under no obligation to any assignee of the Lessor except upon written notice of such assignment from the Lessor. All the rights of the Lessor hereunder (including, but not limited to, the rights under §§ 6, 7, 10 and 17 and the rights to receive the rentals payable under this Lease) shall inure to the benefit of the Lessor's assigns (including the partners or any beneficiary of any such assignee if such assignee is a partnership or a trust, respectively).

This Lease and the Lessee's right and interest herein, and in the options to renew this Lease and in the rights, obligations and options to purchase the Units as herein provided shall be completely prior to each and every deed of trust or mortgage or other security instrument and each such instrument, whether heretofore, now or hereafter in existence shall in all respects be subject and subordinate to this Lease and the Lessee's right and interest herein and in such renewals, rights, obligations and options.

So long as the Lessee shall not be in default under this Lease, the Lessee shall be entitled to the possession and use of the Units in accordance with the terms of this Lease, but, without the prior written consent of the Lessor, which consent shall not be unreasonably withheld, the Lessee shall not assign or transfer its leasehold interest under this

Lease in the Units or any of them, except as herein provided. The Lessee, at its own expense, will promptly pay or discharge any and all sums claimed by any party which, if unpaid, might become a lien, charge, security interest or other encumbrance (other than an encumbrance created by the Lessor or resulting from claims against the Lessor not related to the ownership of the Units) upon or with respect to any Unit, including any accession thereto, or the interest of the Lessor or the Lessee therein, and will promptly discharge any such lien, claim, security interest or other encumbrance which arises. The Lessee shall not, without the prior written consent of the Lessor, part with the possession or control of, or suffer or allow to pass out of its possession or control, any of the Units, except to the extent permitted by the provisions of the immediately succeeding paragraph.

So long as the Lessee shall not be in default under this Lease, the Lessee may at any time and from time to time sublet the Units or any one or more of them and may also assign this Lease in its entirety, or in respect of one or more Units, to any other subsidiary of American Electric Power Company, Inc. but no such sublease or assignment shall release the Lessee from its obligations hereunder. In addition, the Lessee and any of its affiliates shall be entitled to the possession and use of the Units in accordance with the terms hereof, and the Lessee may also furnish the Units or any part thereof for use upon lines of railroad over which they have trackage rights and upon connecting and other carriers in the usual interchange of traffic, or to others than railroad companies.

§ 13. Renewal and Purchase Options. Provided that this Lease has not been earlier terminated and the Lessee is not in default hereunder, the Lessee may by written notice delivered to the Lessor not less than six months prior to the end of the original term or any extended term of this Lease, as the case may be, (a) elect to extend the term of this Lease in respect of all but not fewer than all of the Units then covered by this Lease, for three additional five-year periods commencing on the scheduled expiration of the original term or any extended term of this Lease, as the case may be, provided that no such extended term extends beyond July 2, 2006, at a rental equal to the "Fair Market Rental Value" as of the commencement date of such extended term of each such Unit then subject to this Lease, payable in arrears, on January 2, April 2, July 2 and October 2 in each year of such extended term and (b) to purchase all, but not fewer

than all, the Units covered by this Lease at the end of such term or any such extended term of this Lease free and clear of liens and encumbrances created by the Lessor for a purchase price equal to the "Fair Market Sales Value" of such Units as of the end of such term or such extended term.

In order to avoid any forfeiture or inadvertent loss of any right to renew this Lease, if the Lessee shall fail to give any notice to renew within the aforesaid six months prior to the expiration of the term then in effect, then the Lessee's right to renew shall nevertheless continue as shall its leasing of the Units hereunder (under the same terms and conditions as theretofore in effect) until ten days after the Lessor shall have given the Lessee notice of the Lessor's election to terminate such rights to renew and the Lessee may exercise such rights to renew at any time until the expiration of said ten day period. Upon the giving of notice of renewal in accordance with the preceding sentence the term of this Lease shall thereupon be renewed in accordance with such notice without other action by the Lessor or the Lessee, the same as if such notice had been timely given.

Fair Market Sales Value for the purposes of this § 13 and § 10 hereof shall be determined on the basis of, and shall be equal in amount to, the value which would obtain in an arm's-length transaction between an informed and willing buyer-user (other than (i) a lessee currently in possession or (ii) a used equipment dealer) and an informed and willing seller under no compulsion to sell and, in such determination, costs of removal from the location of current use shall not be a deduction from such value. Fair Market Rental Value for the purposes of this § 13 and § 10 hereof shall be determined on the basis of, and shall be equal in amount to, the value which would obtain in an arm's-length transaction between an informed and willing lessee-user (other than a lessee currently in possession) and an informed and willing lessor under no compulsion to lease and, in such determination, the cost of removal from the location of current use shall not be a reduction from such value. If on or before four months prior to the expiration of the term of this Lease or any extended term thereof, the Lessor and the Lessee are unable to agree upon a determination of the Fair Market Rental Value or the Fair Market Sales Value, as the case may be, of the Units, for the purposes of this § 13 such value shall be determined in accordance with the foregoing definitions by a qualified independent Appraiser. The term Appraiser shall mean such independent appraiser as the Lessor may select with the approval of the Lessee, or failing such approved selection, a panel of three independent appraisers, one of whom shall be selected by the Lessor, the

second by the Lessee and the third designated by the first two so selected. The Appraiser shall be instructed to make such determination within a period of 30 days following appointment, and shall promptly communicate such determination in writing to the Lessor and the Lessee. The determination so made shall be conclusively binding upon both the Lessor and the Lessee. The expenses and fees of the Appraiser shall be borne by the Lessee.

§ 14. Return of Units upon Expiration of Term. As soon as practicable on or after the expiration of the original or extended term of this Lease with respect to any Unit not purchased by the Lessee, the Lessee will, at its own cost and expense, at the request of the Lessor, deliver possession of such Unit to the Lessor upon such storage tracks as the Lessor may reasonably designate, or, in the absence of such designation, as the Lessee may select, and permit the Lessor to store such Unit on such tracks for a period not exceeding three months and transport the same, at any time within such three-month period, to any reasonable place on lines of railroad, or to any connecting carrier for shipment, all as directed by the Lessor, the movement and storage of such Units to be at the expense and risk of the Lessee. During any such storage period the Lessee will permit the Lessor or any person designated by it, including the authorized representative or representatives of any prospective purchaser of such Unit, to inspect the same; provided, however, that the Lessee shall not be liable, except in the case of negligence of the Lessee or of its employees or agents, for any injury to, or the death of, any person exercising, either on behalf of the Lessor or any prospective purchaser, the rights of inspection granted under this sentence. The assembling, delivery, storage and transporting of the Units as hereinbefore provided are of the essence of this Lease, and upon application to any court of equity having jurisdiction in the premises, the Lessor shall be entitled to a decree against the Lessee requiring specific performance of the covenants of the Lessee so to assemble, deliver, store and transport the Units. Each Unit returned to the Lessor pursuant to this § 14 shall (i) be in the same operating order, repair and condition as when originally delivered to the Lessee, reasonable wear and tear excepted, and (ii) meet the standards then in effect under the Interchange Rules of the Association of American Railroads and/or the applicable rules of any governmental agency or other organization with jurisdiction.

§ 15. Opinion of Counsel. On each date for payment for Units pursuant to the Purchase Agreement, there will be delivered two counterparts of the following:

- (i) the written opinion of Messrs. Borden & Ball, special counsel for the Lessee, addressed to the Lessor, in scope and substance satisfactory to the Lessor and its counsel, to the effect that:

A. the Lessee is a corporation legally incorporated, validly existing and in good standing under the laws of the State of Ohio with corporate power to own its properties and to carry on its business as now conducted, and to enter into the Supplemental Contract, the Assignment and this Lease;

B. the Supplemental Contract, the Assignment and this Lease have been duly authorized, executed and delivered by the Lessee and constitute legal, valid and binding agreements of the Lessee, enforceable in accordance with their respective terms and the Assignment effectively conveys to the Lessor any right, title or interest which the Lessee may have in and to any of the Units, free at the time such Units become subject to this Lease from all claims, liens security interests or other encumbrances (other than the rights of the Lessor and the Lessee under this Lease and any such claims, liens, security interests and other encumbrances otherwise arising from any acts or omissions of the Lessor);

C. the Agent is a corporation legally incorporated, validly existing and in good standing under the laws of the State of New York with corporate power to enter into the Original Contract, the Supplemental Contract and to designate the Lessee purchaser of the Units under the Supplemental Contract; and the Original Contract, the Supplemental Contract and the Acknowledgment of Notice of Assignment attached to the Assignment have been duly authorized, executed and delivered by the Agent and constitute legal, valid and binding agreements of the Agent in its capacity as agent;

D. this Lease has been duly filed and recorded with the Interstate Commerce Commission pursuant to Section 20c of the Interstate Commerce Act and such filing and recordation will protect the interest of the Lessor in and to the Units and no filing, recording or deposit (or giving of notice) with any other federal, state or local government or agency thereof is necessary in order to protect the interest of the Lessor in and to the Units in the United States of America;

E. no approval is required from any public regulatory body (including, without limitation, the

Securities and Exchange Commission under the Public Utility Holding Company Act of 1935) with respect to the entering into or performance of this Lease except the approval of The Public Utilities Commission of Ohio, which has been obtained, or in lieu thereof, a statement as to no jurisdiction with respect thereto from said Commission, which has been obtained, as the case may be;

F. the Units are not "facilities used for the generation, transmission, or distribution of electric energy for sale" within the meaning of Section 2(a) (3) of the Public Utility Holding Company Act of 1935;

G. the entering into and performance of this Lease by the Lessee will not result in any breach of, or constitute a default under the Mortgage and Deed of Trust dated as of October 1, 1938, originally between the Lessee and Central Hanover Bank and Trust Company and Frank Wolfe, as trustees, as amended and supplemented, or to such counsel's knowledge under and other indenture, mortgage, deed of trust, bank loan or credit agreement or other agreement or instrument to which the Lessee is a party or by which it may be bound;

H. no mortgage, deed of trust, or other lien of any nature whatsoever which now covers or affects, or which may hereafter cover or affect, any property or interests therein of the Lessee, now attaches or hereafter will attach to the Units or in any manner affects or will affect adversely the Lessor's right, title and interest therein; provided, however, that such liens may attach to the leasehold interest of the Lessee hereunder in and to the Units;

**In giving the opinion set forth above, Messrs. Borden Ball may rely upon the opinion of Messrs. Squire, Sanders & Dempsey as to matters governed by the laws of Ohio.**

(ii) the written opinion of Messrs. Squire, Sanders & Dempsey, special Ohio counsel for the Lessee, addressed to the Lessor, in form and substance satisfactory to the Lessor and its counsel, to the effect that any authorization or approval required from The Public Utilities Commission of Ohio with respect to the entering into or performance of this Lease has been obtained or, in lieu thereof, a statement from said Commission as to no jurisdiction with respect to the entering into or performance of this Lease, has been obtained;

(iii) the written opinion of counsel for the Builder, addressed to the Lessor, in scope and substance satisfactory to the Lessor and its counsel, to the effect that:

A. the Builder is a duly organized and existing corporation in good standing under the laws of its jurisdiction of incorporation and has the power and authority to own its properties and to carry on its business as now conducted;

B. the Purchase Agreement has been duly authorized, executed and delivered by the Builder and is a legal and valid instrument binding upon the Builder and enforceable against the Builder in accordance with its terms;

C. the Acknowledgement of Notice of Assignment attached to the Assignment has been duly authorized, executed and delivered by the Builder and is a legal and valid instrument binding upon the Builder; and

D. at the time of inspection of the Units under the Purchase Agreement, such Builder had legal title to such Units and good and lawful right to sell such Units and title to such Units was free from all claims, liens, security interests and other encumbrances (other than those created by the Purchase Agreement and Assignment and other than the rights of the Lessor and the Lessee under the Lease and any such claims, liens, security interests and other encumbrances otherwise arising from any acts or omissions of the Lessor or the Lessee); the bill or bills of sale from the Builder transferring all of its right, title and interest in and to such Units have been duly authorized, executed and delivered by the Builder and are valid and effective to transfer all right, title and interest of the Builder in and to such Units, free of all claims, liens, security interests and encumbrances of any nature of, or arising from, through or under, the Builder, except those created by the Purchase Agreement and Assignment; and

(iv) the written opinion of counsel for the Lessor, addressed to the Lessee, to the effect that:

A. the Lessor is a corporation legally incorporated and validly existing, in good standing under the laws of the jurisdiction of its incorporation, with corporate power to enter into this Lease; and

B. this Lease and the Assignment have been duly authorized, executed and delivered by the Lessor and constitute the legal, valid and binding agreements of the Lessor, enforceable in accordance with their respective terms.

In giving the opinions specified in subparagraphs (i)D, (iii)B and (iv)B of this § 15, counsel may qualify any opinion to the effect that any agreement is a legal, valid and binding instrument enforceable in accordance with its terms by a general reference to limitations as to enforceability imposed by bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights generally.

§ 16. Recording. The Lessee, at its own expense, will cause this Lease to be filed and recorded with the Interstate Commerce Commission in accordance with Section 20c of the Interstate Commerce Act. The Lessee will from time to time do and perform any other act and will execute, acknowledge, deliver, file, register, record (and will refile, reregister, deposit and redeposit or rerecord whenever required) any and all further instruments required by law or reasonably requested by the Lessor for the purpose of proper protection, to its satisfaction, of the Lessor's interest in the Units, or for the purpose of carrying out the intention of this Lease; and the Lessee will promptly furnish to the Lessor evidences of all such filing, registering, depositing or recording, and an opinion or opinions of counsel for the Lessee with respect thereto satisfactory to the Lessor. This Lease shall be filed and recorded with the Interstate Commerce Commission prior to the delivery and acceptance hereunder of any Unit.

§ 17. Federal Income Taxes. The Lessor, as the owner of the Units, shall be entitled to such deductions, credits and other benefits as are provided by the Internal Revenue Code of 1954, as amended to the date hereof (hereinafter called the Code), to an owner of property, including, without limitation, the depreciation deduction with respect

to the Units authorized under Section 167 of the Code utilizing a 12-year depreciable life which is the lower limit prescribed for the Units in the Asset Guideline Class No. 00.25, as listed in Revenue Procedure 72-10, 1972-1 C.B. 721, in accordance with Section 167(m) of the Code and taking into account an estimated salvage value of 15% of the Purchase Price of the Units reduced by 10% of the Purchase Price of the Units as provided in Section 167(f) of the Code and utilizing any method of depreciation provided by Section 167(b)(2) or (3) of the Code and changing without Internal Revenue Service consent from a declining balance method to a sum of the years-digits method of depreciation (such deduction being herein called the ADR Deduction), and the 4% investment credit (herein called the Investment Credit) with respect to the Purchase Price of the Units pursuant to Section 38 and related sections of the Code.

The Lessee agrees that neither it nor any corporation controlled by it, in control of it, or under common control with it, directly or indirectly, will at any time take any action or file any returns or other documents inconsistent with the foregoing and that each of such corporations will file such returns, take such actions and execute such documents as may be reasonable and necessary to facilitate accomplishment of the intent hereof.

Notwithstanding anything to the contrary contained in § 12 hereof, the Lessee represents and warrants that (i) all the Units constitute property the full Purchase Price of which qualifies for the Investment Credit under Section 50 of the Code; (ii) at the time the Lessor becomes the owner of the Units, the Units will constitute "new section 38 property" within the meaning of Section 48(b) of the Code and at the time the Lessor becomes the owner of the Units, the Units will not have been used by any person so as to preclude "the original use of such property" within the meaning of Sections 48(b) and 167(c)(2) of the Code from commencing with the Lessor; (iii) at all times during the term of this Lease, each Unit will constitute "section 38 property" within the meaning of Section 48(a) of the Code and will not be "used predominantly outside the United States" within the meaning of said Section 48(a)(2) (or any exception thereto); (iv) the Lessee will maintain sufficient records to verify such use; and (v) upon request of the Lessor, the Lessee will provide written reports establishing such use.

Except as hereinafter provided, if the Lessor shall not have the benefit of or lose the right to claim or be

required to recapture or there shall be disallowed any portion of the Investment Credit under any circumstances or for any reason whatsoever, or the Lessor would otherwise lose any such portion except for its failure also to have sufficient liability for tax against which to credit such portion for the taxable year in which the Units are placed in service, the Lessee shall, on written demand made by the Lessor, pay the Lessor an amount which, after deduction of all taxes required to be paid by the Lessor in respect of the receipt of such amount under the laws of any federal, state or local government or taxing authority in the United States, shall be equal to the sum of the amount of Investment Credit so lost (computed on the same assumptions as utilized by the Lessor in originally evaluating the transaction) and the amount of any interest, penalties or additions to tax which may be payable by the Lessor in connection with such loss.

If, for any taxable year of the Lessor during which this Lease is in effect, the Lessor shall lose the benefit of any portion of the ADR Deduction under any circumstances or for any reason whatsoever, or would otherwise lose any such portion except for its failure also to have sufficient taxable income after deducting such ADR Deduction, the Lessee shall, on written demand by the Lessor, pay the Lessor an amount which, after deduction of all taxes required to be paid by the Lessor in respect of the receipt of such amount under the laws of any federal, state or local government or taxing authority in the United States, shall be equal to the amount of any ADR Deduction so lost with respect to such year (computed on the same assumptions as utilized by the Lessor in originally evaluating the transaction), plus the amount of interest, penalties or additions to tax which may be payable by the Lessor in connection with such loss.

If the Lessee has paid the indemnification due under this § 17, and as a result of the loss of any ADR Deduction on the Units the taxable income of the Lessor in any subsequent taxable year during which this Lease is in effect is reduced, the Lessor will promptly credit or otherwise pay the Lessee in such taxable year the amount of tax reduction resulting therefrom which has been received or otherwise credited to the Lessor in said taxable year of reduction; provided, however, the aggregate amounts for all such taxable years shall not exceed the amounts previously paid by the Lessee to the Lessor pursuant to this § 17.

The Lessee shall not be required to make any indem-

nity payments as payment for the loss of Investment Credit or the loss of any ADR Deduction if the direct and sole cause of such loss is by reason of (i) the failure of the Lessor to have sufficient taxable income after deducting such ADR Deduction, or (ii) the failure of the Lessor to have sufficient liability for tax against which to credit such Investment Credit, or (iii) the failure of the Lessor to properly claim any ADR Deduction or Investment Credit in the Lessor's tax returns, or (iv) at any time while a Unit is leased hereunder and while no Event of Default has occurred and is continuing unremedied, the voluntary transfer by the Lessor, without the written consent of the Lessee, of legal title to such item to anyone, or (v) the Lessor's failure to take timely action in contesting a claim made by the Internal Revenue Service with respect to the disallowance of the Investment Credit or any ADR Deduction pursuant to provisions of this § 17 and the failure to take such action in a timely manner shall preclude the Lessor's rights to contest such claim, unless the Lessee shall agree in writing to such failure, or (vi) any change in or modification of the Code.

All amounts due to the Lessor under this § 17 shall bear interest at the rate of 14% per annum from the date of payment by the Lessor of any tax and interest to the date the Lessee shall reimburse the Lessor for such amounts in accordance with the provisions of this § 17.

The Lessor shall be entitled to make such written demand for payment at any time after the Lessor has (i) upon advice of counsel decided that such Investment Credit or ADR Deduction is not available or (ii) pursuant to a notice of disallowance from the Internal Revenue Service, paid the tax and interest with respect to the disallowance of Investment Credit and/or loss of ADR Deduction in respect of which such written demand is made. Notwithstanding the foregoing, the Lessor agrees that it will, if requested by the Lessee, promptly submit the question to independent counsel agreed upon by the Lessor and the Lessee, and if in the opinion of said counsel a bona fide claim to the Investment Credit or ADR Deduction exists and with respect to which the Lessee is required to indemnify the Lessor for hereunder, the Lessor shall, upon request and at the expense of the Lessee, take all such legal or appellate action deemed reasonable by said counsel in order to sustain said Investment Credit or ADR deduction. The Lessor may take such action prior to making payment of the amounts claimed pursuant to such decision as to unavailability or pursuant to such notice of disallowance or may

make payment and then sue for refund. In the case of any such notice of disallowance from the Internal Revenue Service referred to above, the Lessor agrees to promptly notify the Lessee in writing of such disallowance and agrees to give to the Lessee any relevant information relating to such disallowance which may be particularly within the knowledge of the Lessor and the Lessor agrees to otherwise cooperate with the Lessee in good faith in order to contest effectively any such disallowance. In the event specified in clause (ii) above, the Lessee shall promptly reimburse the Lessor for such payment, in which case the Lessor shall promptly turn over to the Lessee, upon receipt, any applicable refund and the interest thereon paid to it by the Internal Revenue Service, as well as any other amounts theretofore paid by the Lessee to the Lessor pursuant to this § 17. The Lessor shall not be obligated to take any such action unless the Lessee shall first have indemnified the Lessor for all liabilities and expenses which may be entailed therein and shall have furnished the Lessor with such reasonable security therefor as may be requested.

The indemnity contained in this § 17 shall survive the expiration or other termination of this Lease. This remedy shall be in addition to all other remedies in favor of the Lessor existing in this Lease or at law or in equity.

For purposes of this § 17, the term "Lessor" shall include (i) C.I.T. Financial Services, Inc., and (ii) any successor to C.I.T. Financial Services, Inc., and the affiliated group which files a consolidated federal or state income tax return which includes the Lessor shall be deemed to be the Lessor where the income tax liability of the Lessor or the realization of an item of income, gain, deduction or credit in connection with the determination thereof is an issue.

Anything herein to the contrary notwithstanding, (i) if the Casualty Value has been paid with respect to a Unit pursuant to this Lease, the indemnity otherwise payable under this § 17 with respect to Investment Credit on such Unit shall be reduced by any amount included in such Casualty Value as of the date of computation on account of the loss of Investment Credit, and (ii) if the Lessee pays an indemnity under this § 17 with respect to Investment Credit on a Unit, appropriate adjustment shall be made to the Casualty Value with respect to such Unit to reflect such payment.

§ 18. Interest on Overdue Rentals. Anything to

the contrary herein contained notwithstanding, any nonpayment of rentals and other obligations due hereunder shall result in the obligation on the part of the Lessee promptly to pay, to the extent legally enforceable, an amount equal to 14% per annum of the overdue rentals and other obligations for the period of time during which they are overdue or such lesser amount as may be legally enforceable.

§ 19. Quiet Enjoyment. The Lessor covenants that if, and so long as, the Lessee keeps and performs each and every covenant, condition and agreement to be performed or observed by it hereunder, the Lessee shall quietly enjoy the Units leased hereunder without hindrance or molestation by the Lessor or any other person lawfully claiming the same by, through or under the Lessor.

§ 20. Notices. Any notice required or permitted to be given by either party hereto to the other shall be deemed to have been given when mailed, first class certified, addressed as follows:

(a) if to the Lessor, at 650 Madison Avenue,  
New York, N. Y.. Attention of the President,  
and

(b) if to the Lessee, at P.O.Box 18, Bowling Green Station,  
New York, N. Y. 10004, Attention of Financial Vice  
President

or addressed to either party at such other address as such party shall hereafter furnish to the other party in writing.

§ 21. Severability; Effect and Modification of Lease. Any provision of this Lease which is prohibited or unenforceable in any jurisdiction, shall be, as to such jurisdiction, ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

This Lease exclusively and completely states the rights of the Lessor and the Lessee with respect to the leasing of the Units and supersedes all other agreements, oral or written, with respect thereto. No variation or modification of this Lease and no waiver of any of its provisions or conditions shall be valid unless in writing and signed by duly authorized signatories for the Lessor and the Lessee.

§ 22. Execution. This Lease may be executed in several counterparts, such counterparts together constituting but one and the same instrument, but the counterpart delivered to the Lessor shall be deemed to be the original counterpart. Although for convenience this Lease is dated as of the date first set forth above, the actual date or dates of execution hereof by the parties hereto is or are, respectively, the date or dates stated in the acknowledgments hereto annexed.

§ 23. Law Governing. The terms of this Lease and all rights and obligations hereunder shall be governed by the laws of the State of New York; provided, however, that the parties shall be entitled to all rights conferred by Section 20c of the Interstate Commerce Act.

IN WITNESS WHEREOF, the parties hereto have executed or caused this instrument to be executed as of the date first above written.

C.I.T. FINANCIAL SERVICES, INC.,

by C.I.T. LEASING CORPORATION, as Agent,

by *[Signature]*  
Vice President

[Corporate Seal]

Attest:

*[Signature]*  
Assistant Secretary

OHIO POWER COMPANY,

by

*[Signature]*  
Vice President

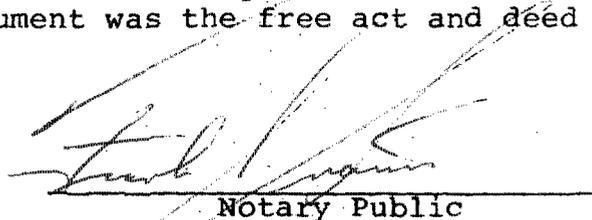
[Corporate Seal]

Attest:

*[Signature]*  
Assistant Secretary

STATE OF NEW YORK,     )  
                                  )    ss.:  
COUNTY OF NEW YORK,    )

On this 21 day of April 1975, before me personally appeared *Vikita Zalancow*, to me personally known, who, being by me duly sworn, says that he is a Vice President of C.I.T. LEASING CORPORATION, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.



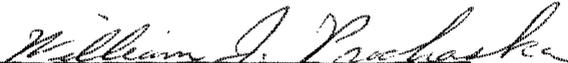
Notary Public

FRANK C. SUARINO  
Notary Public, State of New York  
No. 60-9234595  
Qualified in Westchester County  
Commission Expires March 30, 1976

[Notarial Seal]

STATE OF NEW YORK,        )  
                                  )    ss.:  
COUNTY OF NEW YORK,    )

On this <sup>22nd</sup> day of *April*, 1975, before me personally appeared *G.P. Maloney*, to me personally known, who, being by me duly sworn, says that he is a Vice President of OHIO POWER COMPANY, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

  
\_\_\_\_\_  
Notary Public

[Notarial Seal]

WILLIAM J. PROCHASKA  
Notary Public, State of New York  
Qualified in Richmond County  
Certificate filed in New York County  
No. 43-8445350  
Commission Expires March 30, 19 *76*

SCHEDULE A TO LEASE

<u>Type</u>	<u>Quantity</u>	<u>Place of Delivery</u>	<u>Lessee's Road Numbers (Both Inclusive)</u>	<u>Unit Base Price</u>	<u>Total Base Price</u>
4,000 cu. ft. triple hopper coal cars	373	Manufacturer's Plant at Greenville, Pa.	AFPX 1501 to 1873	\$28,500	\$10,630,500